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INFORMATION REPORT

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COUNTRY Argentina

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SUBJECT Argentine Political and Economic Situation

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GRADING OF SOURCE

COLLECTOR'S PRELIMINARY GRADING OF CONTENT

1. Reports from the Ministry of Labor and Welfare indicate that thousands of former Peronistas are joining the Radical and Socialist parties. The government admits that every such vote lost is permanently lost. Mrs. Peron's frequent trips to the provinces can be attributed partially to the government's desire to maintain the Peronista spirit in the interior of the country. The Supreme Council of the Peronista Party is giving serious consideration to a program which would in effect gradually relegate labor to a secondary position in the party.
2. The Peron government is very anxious to avoid any embarrassing situations in its relations with the United States. The government recognizes the fact that domestic problems have reached such serious proportions that it would be unwise to allow Argentina's foreign relations to sink to a similar level. Informed sources feel that the United States, if it wishes, can exert pressure on Argentina to obtain its desired ends. The spirit of nationalism in Argentina will not permit the government to suspend completely its caustic attacks against the United States. However, even though these attacks may become more frequent, a tempering influence will prevail among the propagandists.
3. The government will attempt to improve commercial relations with both Europe and the United States. Argentina will probably be forced to sell some products at a loss in order to obtain new markets.
4. The government will increase the police force and the gendarmerie on a nationwide basis to be better equipped to cope with any disturbances which might arise.
5. The army and the air force will continue to be favored with appropriations.
6. The government subsidy program will continue indefinitely. In its effort to keep prices at a reasonable level and to prevent the wholesale disruption of industrial production, the government is seriously considering an increase

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in taxes now that its former sources of income, e.g., IAPI, have failed to produce the necessary funds.

7. The government will continue to supply money to the stock exchange and will probably absorb heavy losses.
8. Peron's economic advisers have been warning Peron constantly to reduce the excessive expenditure of public funds. Peron will probably be forced to adhere to their advice.
9. Experts of the Ministry of Finance believe that the inflationary spiral will continue until October or November 1949, at which time a crisis will develop. In the event of an economic crisis, the government has a series of public works programs ready for immediate implementation.
10. Indications point to a critical shortage of raw materials, increased labor problems, and growing pressure from the army, but the government believes it can cope with these problems. Although Peron's government will continue to maintain its position during the next five months, it may have to resort to even more dictatorial methods to do so.

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